



Examiners' Report Principal Examiner Feedback

Summer 2023

Pearson Edexcel AS Level
In Economics A (8EC0)
Paper 01 Introduction to Markets and Market
Failure

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Introduction

This was the seventh sitting of this paper (8ECO 01) from the specification that was launched in 2015. It was also the second paper following the resumption of exams. The focus, as with previous examination series, of 8ECO 01 Paper 1 is to test candidates understanding of the topics covered within Theme 1 of the specification content.

The structure of the paper comprised of two sections. Section A included five short questions, broken down into smaller parts, based on a spread of specification elements in Theme 1 (totalling 20 marks). Candidates were advised to spend 25 minutes on this section; Section B focussed primarily on television content and included a focus on issues such as the provision of public goods and the impact environmentally of the increasing consumption of streaming services and the subsequent private and external impacts.

Section B comprised of one data response question broken down into a number of parts, including a choice of extended open-response questions. Candidates selected one essay from a choice of two. The total time available for this paper was one and a half hours and there were a small number of students who did not complete the examination due to time constraints. Overall, the paper seemed very accessible for candidates and gave opportunities for differentiation of grades.

In Section A, each short question was broken down into non-supported multiple choice questions, using option boxes which were dealt with well, plus a short answer question worth one, two or three marks. The various three-mark responses were answered with substantial variation, with some responses impressive with good subject knowledge (K), often starting with a definition, analysis (An) and application (Ap) where required. The focus of these questions on topics such as rational decision making were challenging, and therefore a large number of candidates struggled to access the main focus of these questions.

In Section B, there was a clear showcasing of how important the use of application is across different data response questions. This was highlighted with the five-mark response where the use of the extract and inclusion of key contextual information helped achieve the full mark award.

Another key summary observation was that students were able to secure high marks/full marks on questions with a limited number of well developed, applied and analysed points, for example two substantial points each evaluated in depth to allow access to the top Level 4 marks. There was, as in the 2022 paper, still some evidence of candidates struggling with evaluation with it either missing or at Level 1 evaluation, which is often generic and not developed. For top level evaluation, candidates are reminded to ensure points are explained and in context. Centres may wish to further encourage candidates to evaluate what they have already written as their substantial point and to critically evaluate the knowledge, chains of reasoning, and data as a means of developing their evaluation. This will also help them to access top level essay evaluation (L3) in the essays where 'sustained judgement' is required. Candidates would benefit from attempting to weigh up theory and the sufficiency of the data as they write, to offer clear and sustained judgement.

With the essays, a small number of candidates still did not indicate clearly which essay (6(f) or 6(g)) they were answering by marking a cross in the box available, although their written responses did make it clear.

It is very important to ensure full papers are practised using the Sample Assessment Materials and the now extensive body of live papers under timed conditions to strengthen examination skills in preparation for this paper to be sat. Across the paper, drawn diagrams would be beneficial in some cases, with more precision in labelling as well as a careful explanation. Diagrams were again, weak in places and not well integrated or 'dynamic' in terms of ensuring they are well linked into the candidates written work. Candidates should be encouraged to 'interact' with the diagrams to maximise marks. The performance on individual questions is considered in the next section of the report.

Section A:

Multiple-choice and short-answer questions

A significant number of candidates were very well prepared and demonstrated an excellent understanding of the specification and the techniques involved in answering the questions. The multiple-choice questions format provided an accessible format for candidates to select their chosen option. Candidates are mostly confident in using definitions, annotating or drawing diagrams and calculations. As discussed previously, the three-mark questions were the weakest part of most candidates performance within Section A.

Section B:

Data response questions

Responses to 6(a) on revenue provided some good understanding of how revenue is impacted by PED, although not always linked appropriately to the context/ extract given. . The substitutes and compliments four-mark question was the best performing question on the paper with the majority of candidates obtaining full marks. Evidence of candidates mastering some of the challenging aspects of the the specification were clear in response to 6(c) on discussing on whether or not television content is a 'public good'. There was a substantial weighting for evaluation marks (sixteen out of forty-five marks) in the level-based responses. A ten-mark question comprises four evaluation marks, a fifteen-mark question comprises six evaluation marks and a twenty mark question similarly comprises six evaluation marks. Consequently, it is vital that candidates make in-depth applied evaluative comments when required by the question, as well as offer judgement using positive economics throughout in order to avoid disappointment.

Candidates have grasped the need to avoid generic evaluation comments and provided significant depth of explanation and application in their evaluation. To achieve the highest levels within the twenty mark essays, the maximum evaluative marks, needs to show evidence of a substantiated judgement. This was often missing or left to a conclusion, which summarised the points and made a generic judgement call. Both essay questions were accessible to candidates though question 6(f) (methods of government intervention) proved to be significantly more popular than question 6(g) (the free market approach to the provision of television content). Policy response questions are typically more popular on this paper.

Question 1 (b)

Candidates performed well on this question, with most able to distinguish where the original and maximum price would appear on the. A common misconception was to add the maximum price above equilibrium which a high number of students showcased.

Question 1(c)

Virtually all candidates were able to accurately define equilibrium price, linking this to demand and supply meeting

Question 2 (a)

A significant number of candidates confused price elasticity of supply in this question with price elasticity of demand and therefore scored no marks. However, those who identified the correct elasticity used the appropriate determinants and developed this three-mark response well.

Question 3 (a)

Specialisation and the 'focus' upon a particular task was clearly well understood by the majority of candidates

A more complicated question in terms of advantages to trade of specialisation was answered less well, with many students not fully targeting their answer to trade and limiting the mark award.

Question 4 (a)

A high number of students did manage to focus upon how firms are profit maximising and therefore it would be rational for them to increase prices at a time of excess demand. Many candidates however did misinterpret the question and focus upon the price mechanism and its features which was not a suitable and awardable response.

Question 5 (a)

Many candidates were again able to identify that the mixed economy includes both private and public sectors, and the highest awarded answers used some of the information in the question stem to link this to furlough payments and how wages during the health crisis were paid between private firms and the government.

Question 5 (b)

This question was diagrammatical and identified opportunity cost along a PPF curve. Some responses indicated a lack of understanding of opportunity cost and illustrated shifts in the curve, although the majority understood the question well.

Question 6 (a)

This question required candidates to consider the relationship between price elasticity of demand and total revenue. Candidates in the majority of answers did understand that price increasing with a good or service is price inelastic would lead to higher revenue, although some did not explain this particularly well.

Question 6 (b)

This question was a six-mark question based on external benefits concerned with public service broadcasting consumption. The use of the case study/ extracts was excellent in this answer, and those candidates who did this well explained and developed their points well ensuring the highest level awards

Question 6 (c)

Extract B contained plenty of information candidates could use to consider the characteristics of whether or not television content is a public good, in reference to Netflix shared accounts and license fees for. The key concepts of non-excludability and non-rivalry were applied to the situation well in the majority of responses. Better candidates offered multiple points, and applied this well.

Question 6 (d)

This was a four-mark questions focused upon substitutes and compliments and was answered very well in almost all candidates work. Examples were given and good definitions including reference to elasticity coefficients, highlighting excellent understanding of the topic.

Question 6 (e)

This fifteen-mark question was a strong test of a candidate's ability to link textbook knowledge of demand and supply and how this relates to price determination. Examples within the extract featured reference to where the price of television streaming content would potentially increase or/ and fall. Diagrams were drawn well and explained, although the majority of answers did not evaluate sufficiently well to reach the highest levels. The best candidates, used two evaluated points to explain why and why not price of such content would increase in price. Points relating to the increased investment in new programming increasing costs was a key point used by many candidates in reference to price / costs increasing. Less candidates discussed the increasingly competitive nature of the market and why this could lead to an increase in supply and ultimately falling prices.

Government intervention enviro damage – TV consumption

Question 6 (f)

This was a highly accessible question considering the methods that could be used to reduce the environmental damage associated with the consumption of television content. There are numerous possibilities that candidates could explore, and the vast majority talked about taxes,, regulation or provision of information. This essay requires a clear exercise of critical analysis and good candidates would be expected to have a developed a clear appreciation of the method of government intervention to correct the market failure. Sophisticated responses recognised that some forms of government intervention would be more effective than others. Good use of diagrams was showcased throughout the candidates' responses, usually an indirect tax diagram. To access evaluation marks candidates could explore the various strengths and weaknesses of each method proposed and use the prompts in the extracts to consider how effective the policy might be. Another line of development considered how some combination of policies might be necessary to effectively tackle the problem of environmental damageThe best responses would work by proposing realistic solutions to the problem of excess demand and then evaluating the most effective in the context of the real- world situation.

Question 6 (g)

The second of the essay questions, this question was the least popular by a significant margin Candidates also performed substantially worse on this response than they did on 6(f). The question allows candidates to demonstrate their understanding of how a free market approach would lead to a better outcome than through government intervention.

Strong candidates made a good attempt to substantiate points diagrammatically and in context. Many recognised the issues relating to a lack of intervention such as how public service broadcasting and educational programming such as CBeebies and Channel 4 would not be produced or would be under produced/ consumed within the free market as they would not generate sufficient demand – partly due to individuals not being as aware as they should be of the private and external benefits. Top level KAA marks required at least two likely reasons why the free market would produce a better overall market. Evaluation marks could be achieved by counter balancing the point(s) made and arguing for government intervention/ free market approach accordingly.

Paper summary

Based on their performance on this paper, candidates are offered the following advice:

Section A: short-answer questions and multiple choice

- Define accurately the key economic term(s) used in each question. • Candidates should not spend too much time on definitions only.
- Be prepared to annotate diagrams when relevant to the question, and make sure these are properly labelled and explained in the text. Question 6(e), for example should reference and explain the various demand and supply factors relevant when looking at price determination
- Always refer to the information provided explicitly, it is better to refer to specific numbers, for example the data in Extract B relating to 6(b) and public goods sufficiently
- Know the difference between private and public goods.
- Ensure candidates practise calculating cross price elasticity of demand, price elasticity of supply etc. and their use of this information/ their influences
- It is important to emphasise that the stem is used specifically to gain application marks.

Section B: data response

- Similar to 2022, a need to focus on developing economic analysis in the high mark questions. A number of candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in fifteen- and twenty-mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome. The weighting on a twenty-mark question is 14 KAA and 6 Eval. If the KAA is not sufficiently developed there is little chance of accessing L4.
- Where diagrams are requested, these should be drawn as they will be well rewarded. It is essential, however, that they are drawn accurately. Various forms of government intervention were required in 6f and diagrams would be needed to secure both KAA and Eval marks.
- Where diagrams are not requested but it helps with your analysis then they should be

encouraged. Diagrams that add detail such as referring to welfare loss, incidence, revenue or producer/consumer surpluses were able to access the higher levels. Diagrams did best when integrated into analysis and the points on the diagram were explicitly referred to.

- Having identified externalities from extracts, it is important to explain which parties are specifically • When drawing indirect tax diagrams, it is important to show not just the left shift of the supply curve but the overall incidence of the tax and how it is shared between producers and consumers, as this helps generally with the awarding of evaluation marks
- Public services such as the NHS were often confused with public goods that are non-rival and non-excludable. Health care has positive externalities in consumption and is under-provided in a free market. It is often called a 'merit good', a term not used on the specification, but which teachers often use. Public goods may not be provided at all in a free market.

